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ABSTRACT

A study evaluated the performance of 253 welfare recipients who listed Aid to Families with Dependent Children as an income source and graduated from Eastern Washington University (EWU) between September 1994 and August 1996. Graduates' wages were obtained from the state Employment Securities Division; current welfare status was established through the Spokane office of the Department of Social and Health Services. Findings indicated the following: the attrition rate from welfare was 88 percent; approximately one-third of the graduates were employed, usually part time; the average welfare graduate earned a fairly high hourly wage; and wages increased significantly the longer the graduates were out of school. The new direction of welfare reform at both state and federal levels had generally reduced options available to welfare recipients who wished to complete a college degree. The work requirement, states' discouraging of postsecondary degree programs and advocation of short-term training, and the time limit on support services were significant obstacles. The following measures were recommended to federal and state governments to ensure that welfare recipients were not discouraged from pursuing postsecondary education: child care support; inclusion of college degree programs as part of welfare recipients' personal plan to achieve financial independence; adjustment of work requirement in proportion to level of college enrollment; and extension of support throughout the duration of a college degree program. (YLB)

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Welfare Graduates: College and Financial Independence

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Thomas Karier

Is providing assistance to welfare recipients who want to pursue postsecondary education justified in terms of its outcome?

Welfare reform around the country has tended to focus on immediate work experience as a means to achieve financial independence. The names of some of the new programs reflect this focus: *Work First* in Texas, Michigan, North Carolina, and most recently Washington State; *Wisconsin Works* in Wisconsin, and *Get a Job* in Illinois (Karier 1996). Typical of many of these programs is a mandatory work requirement, often 20 to 30 hours a week. While many states continue to provide and encourage short-term education and training as a complement to job search, they often actively discourage longer-term education, especially two- and four-year college degree programs.

Only a small percentage of welfare recipients were ever qualified to pursue postsecondary degrees, but the new focus of welfare reform makes it less likely that even these few individuals will be able to earn college degrees in the future. Grants and loans may make it possible for low-income students to attend a college or university, but they are unlikely to be sufficient to enable those students to support a family as well. Low-income single parents may find themselves able to finance college tuition and fees, but unable to attend because they cannot support their family during the time required to earn their degree.

A proper analysis of this issue requires evaluating the benefits of providing welfare assistance to college students. Are the outcomes sufficiently positive that states should continue to support those welfare recipients with the necessary ability and desire to pursue postsecondary education? The results of this study indicate that the returns to a college degree for welfare recipients are sufficiently high to make postsecondary education a particularly promising avenue to financial independence.

The Study

The purpose of this study was to evaluate the performance of welfare recipients who graduated from Eastern Washington University during a recent two-year period. Eastern Washington University is a comprehensive public university with approximately 7,000 students and campuses in Cheney and Spokane. Wages of the graduates were obtained through a cooperative agreement with the state Employment Securities Division. Current welfare status was established with the cooperation of the Spokane office of the Department of Social and Health Services.

The sample consisted of all students who listed Aid to Families with Dependent Children (AFDC) or its precursor, Aid to Families with Children (AFC), as sources of income and graduated from Eastern Washington University between September 1994 and August 1996. Sources of income were reported to the university on forms requesting financial aid. In total, the sample consisted of 253 welfare graduates. Of the sample, 39 percent graduated during the first year, 1994-95, and 61 percent graduated during the second year, 1995-96.

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Results: AFDC Dependency

The Spokane office of the Department of Social and Health Services was asked to identify those welfare graduates who were still receiving AFDC as of November 1997. For the first-year graduates (1994-95), this would be approximately 17 months after graduation. (The 17-month time is approximate because, though the majority of students graduated in June, some graduated during the summer and others earlier in the year.) For the second-year graduates (1995-96), welfare status was checked approximately 5 months after graduation (again, more or less 5 months, depending on the actual graduation date).

Figure 1 shows the percentage of the welfare graduates who were not reported to be receiving AFDC in the state of Washington in November 1997. For the entire sample, the attrition rate from welfare was 88 percent. The attrition rate was significantly higher for first-year graduates (about 94 percent) than for second-year graduates (about 85 percent). It appears that the benefits of a four-year college degree increase during the first two years, leading to a rapid reduction in welfare dependency.

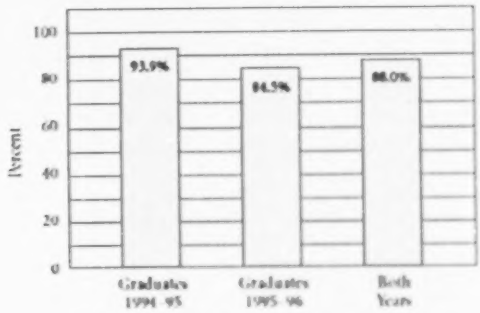

Figure 1. Percentage Not Receiving AFDC by November 1997 (*Source*: Data from Washington State Department of Social and Health Services, Spokane office)

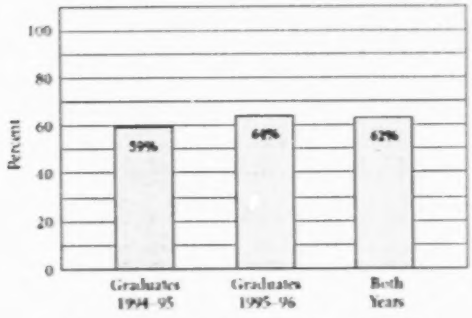

Figure 2. Percentage with Reported Wages in Washington State (*Source*: Data from Washington State Employment Securities Division)

Some of the graduates who continued to receive AFDC were also employed in Washington State. Approximately one-third of the graduates from both years were reported as employed, usually part-time. Evidently, income from part-time employment was not sufficient to make them ineligible for AFDC. In addition, some welfare graduates qualified for other welfare-related services, such as food stamps, child care subsidies, and medical assistance. Unfortunately, these were not reported in the original financial aid forms, so it was impossible to measure reduction in these services.

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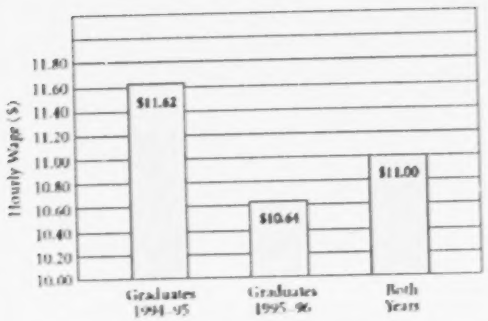

Figure 3. Median Hourly Wages, First Quarter 1997
(Source: Data from Washington State Department of Social and Health Services, Spokane office)

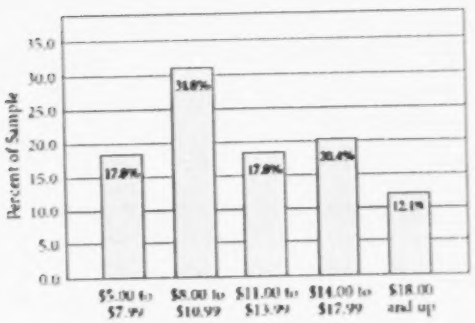

Figure 4. Wage Distribution, First Quarter 1997

Results: Wages

The Employment Securities Division maintains records of earnings and hours for all individuals employed in covered industries in the state of Washington. A matching procedure was able to find these records for 62 percent of the welfare graduates; the percentage found was slightly higher for second-year graduates (64 percent) than for first-year graduates (59 percent), as reported in Figure 2.

The average welfare graduate earned a fairly high hourly wage. The average wage was calculated for each individual by dividing total earnings by number of hours. When earnings for more than one job were reported, the job with the highest number of hours was used, which was not always the highest hourly wage. The median wage for the entire sample of graduates was $11.00 per hour (Figure 3). Wages appear to increase significantly the longer the graduates are out of school. The median wage was $10.64 per hour for recent graduates, increasing to $11.62 per hour for first-year graduates.

Wages for the entire sample ranged from $5.01 per hour to $30.00 per hour. As shown in Figure 4, approximately 12 percent with reported income earned an hourly wage of $18 or more and only 18 percent were in the low range of $5 to $8 per hour.

The welfare graduates majored in many areas—sciences, math, business, education, liberal arts, and professional programs. The most frequent major was social work, which accounted for 15 percent of all graduates. Other popular majors were reading certification (7.5 percent), business administration (6.3 percent), biology (5.9 percent), English (5.5 percent), nursing (4.7 percent), and developmental psychology (4.3 percent). Many of the graduates found employment in school districts, health service offices, social service agencies, private businesses, and state and local governments. Of the total with reported income in Washington State, 37 percent were employed in Spokane, the second largest group was employed in Kirkland (in the Seattle area), and the remainder were employed throughout the state.

A small subset of the graduates during the two-year period received a master's degree. Of the 23 master's

degrees included in this sample, 13 were a master of social work. The median wage for this group was $11.70 per hour, slightly higher than the entire sample. Fifty-eight graduates received teaching certification and earned a median wage of $12.60 per hour. The remaining 172 graduates received a bachelor's degree.

Conclusions

In summary, most welfare graduates have demonstrated considerable success in earning sufficiently high wages to work their way out of AFDC dependency. A more comprehensive study would look at more detailed reasons for the success or failure of these graduates to earn high wages and achieve financial independence. This population, like any group of people, is destined to suffer hardships associated with health issues, psychological problems, family crises, and just bad luck. But given these possibilities, it appears that most welfare recipients graduating from Eastern Washington University have experienced considerable economic success.

A four-year college degree is not common for the average welfare recipient. A study conducted in 1995 by the Washington Institute for Public Policy found that only 5 percent of public assistance recipients in Washington State had a college degree (Lidman 1995, 15). Over 58 percent of the institute's sample of recipients had not completed high school. A related study of welfare recipients in Washington by the institute found that women who earned more than $8 per hour were considerably more likely to stay off welfare for at least three years (Webster, Weeks, and Shilin 1995, 1). (This threshold was surpassed by approximately 82 percent of the graduates in the Eastern Washington University sample.) The second Washington Institute study found that each year of education completed by welfare recipients increased wages by as much as $1.14 per hour.

The results of these previous studies are consistent with the findings in this research. Welfare recipients with a postsecondary college degree earned a sufficiently high wage to make most of them financially independent and no longer in need of public assistance.

The results of this study are not surprising based on what we know about the financial advantages of a four-year college degree. For example, the Bureau of Labor Statistics reported in March 1995 that adult workers (18 years old and over) with less than a high school diploma earned an annual average of only $13,697. Adult workers with a high school degree earned $20,248, with an associate's degree $26,363, and with a bachelor's degree $37,224.

Unemployment rates were also considerably better for adults with a four-year college degree. With the average adult unemployment rate running at 5.5 percent in 1995, it was only 2.8 percent for adults with a four-year college degree. Unemployment rates were 3.8 percent for those with an associate's degree, 6.1 percent for those with a high school degree, and 11.6 percent for those lacking a high school diploma (U.S. Department of Labor 1996-97).

The benefits of a four-year college degree are also evident in poverty statistics. In 1995 only 1.5 percent of those with a four-year college degree were in poverty compared to 3.3 percent of those with an associate's degree, 6.1 percent of those with a high school diploma, and 17.2 percent of those lacking a high school diploma (U.S. Department of Labor 1997b).

The advantages of a college degree have not been lost on high school graduates. In fact, college participation rates for recent high school graduates are at an all-time high. Students graduating from high school in the fall of 1996 were heavily enrolled in colleges and universities in the fall of 1997. This enrollment rate of 65 percent is up significantly from 62 percent in recent years (U.S. Department of Labor 1997a). Evidently, the benefits of postsecondary education are attracting a higher percentage of high school graduates. This trend runs counter to the direction of national welfare policy.

Public Policy

The new direction of welfare reform at both state and federal levels has generally reduced the options available for welfare recipients who wish to complete a two- or four-year college degree or master's degree. This conclusion is based on a phone survey of eight states: Illinois, Massachusetts, Michigan, North Carolina, Texas, Utah, Washington, and Wisconsin. (Virginia has yet to respond.)

The first major obstacle is the work requirement, which ranges from 20 hours a week in many states up to 30 hours a week in others. Most states indicated that they would not waive the work requirement, even partially, for someone enrolled in a four-year college program. It may be extremely difficult for a single parent to be a full-time student and work 20 to 30 hours a week, given the time demands of a family with children.

A second obstacle is that states appear to discourage postsecondary degree programs and advocate in their place short-term training. In most cases, this short-term training is defined as something considerably less than a two-year associate's degree. In Utah, a college student would find it hard to qualify for even short-term training funds because students are likely to be categorized as immediately employable.

A third obstacle is the time limit on support services. Although many states have a five-year lifetime limit on welfare, some states have imposed much tighter limits. North Carolina, for example, has a two-year limit on support services, followed by a three-year period of ineligibility; Utah has a limit of three years. These short time frames would barely provide enough time to complete a two-year associate's degree (if permitted), much less a four-year bachelor's degree.

A few states reported that they have permitted college students to complete their college degrees if they have made sufficient progress. North Carolina has a "grandfather" clause that may permit students to finish a four-year degree if they have completed at least two years. Students in Massachusetts may be eligible to continue in school if they had begun before November 1995, when the state's new welfare law took effect. Also, some states indicated that students may qualify for additional services. In Illinois, students who meet the work requirement may qualify for support in the form of transportation assistance, child care, books, and fees but not tuition. Students may be eligible for child care assistance in Michigan as long as they meet the 20 hours per week work requirement.

In the state of Washington, welfare recipients must have had a college program included in their personal plan to achieve financial independence prior to November 1, 1997, in order to continue to be eligible through June 1998. Those who are "grandfathered in" by this clause will also continue to be eligible for child care while attending college classes. Currently, no new personal plans will include a two- or four-year degree program and all college students must meet the 20-hour weekly work requirement. Although work hours can include a work study program, they cannot include an unpaid internship. In addition, child care is available to cover paid work but not college classes.

Policy Recommendations

Temporary Assistance to Needy Families (TANF), the new federal legislation, is based on the idea that work is the best way to achieve independence. This is especially true if that work comes with job security and high wages. For many individuals, education is the best road to jobs that offer these desirable features. More specifically, for some individuals, a four-year college degree may be the best way to earn higher wages, gain independence from welfare, and provide protection from future poverty and unemployment. Given these conclusions, there are certain measures that the federal government and individual states can take to ensure that welfare recipients are not discouraged from pursuing postsecondary education.

1. The cost of child care has been identified as a barrier to work, but it is also a barrier to college for welfare recipients. Child care support was once available to welfare recipients in many states for time spent in college activities. Terminating this service, as many states have done, creates an unfortunate disincentive to pursue college. Child care funds should be restored for qualified college students.
2. States should allow welfare recipients to include two- and four-year college degree programs as part of their personal plan to achieve financial independence. (Obviously, this inclusion would be conditional on their satisfactory academic success.) The current trend toward excluding college programs from personal plans is short-sighted.
3. States should adjust the work requirement for welfare recipients in proportion to their level of college enrollment. A recipient who is a full-time student may be able to work some hours, but not necessarily as much as a recipient with no educational activity. Full-time college enrollment of 15 credits translates into approximately 15 hours of class time per week in addition to many hours of reading and preparation. Any reduction in work requirements for college students should be based on their level of enrollment.
4. States should find a way to extend support to welfare recipients throughout the duration of a two- or four-year college degree program. Welfare recipients who have made significant progress in college programs are well on their way to economic success. Extending public support for as little as an additional year or two may be sufficient to ensure a lifetime of financial independence.

For some qualified welfare recipients, a college education may hold the promise of exactly the kind of success that TANF was intended to foster. By adopting the modest reforms suggested here, states can ensure that college will be a realistic option for some poor families with few current resources and otherwise little hope for the future. The cost of these short-term investments is likely to be much less than the long-term benefits of allowing hardworking parents to achieve rewarding jobs that will adequately provide for them and their children far into the future.

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Related Publications

For additional Levy Institute research on this subject, see:

Oren M. Levin-Waldman, *Making Unemployment Insurance Work*, Public Policy Brief No. 26

About the Author

Thomas Karier is a research associate at The Jerome Levy Economics Institute and is associate dean and professor of economics at Eastern Washington University.

The Jerome Levy Economics Institute is publishing this proposal with the conviction that it represents a constructive and positive contribution to the discussions and debates on the relevant policy issues. Neither the Institute's Board of Governors nor its Board of Advisors necessarily endorses the proposal.

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